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October 11, 2002

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW, Room TWB-204  
Washington, DC 20554

Re: Notice of Oral Ex Parte Communication, In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

On October 11, 2002, Prof. Robert Willig will present to the FCC the attached econometric study entitled *Stimulating Investment and the Telecommunications Act of 1996*. As discussed in the study, the Telecommunications Act of 1996 required incumbent local exchange carriers to unbundle their networks in order to provide non-discriminatory and cost-based access to the elements that comprise the ILECs' local networks. This legislation was intended to facilitate the emergence of local competition by reducing barriers to entry faced by competitive local exchange carriers. Since its passage, the ILECs have resisted complying with these rules.

The ILECs now claim that their resistance is grounded in good public policy because, they allege, current unbundling rules reduce ILEC and CLEC incentives to invest in infrastructure. A contrary view is that the rules – if properly implemented and enforced – promote competition that encourages investment by ILECs and CLECs alike. The study reviews the theoretical arguments on both sides and then subjects these two theories to an empirical test, using data on ILEC investment and CLEC competitive behavior since the passage of the Act. As explained in the paper, both the theoretical, and especially the empirical analysis provide a strong refutation of the ILEC argument that mandatory unbundling provisions deter ILEC and CLEC investment. Specifically, it is estimated that a 1% *reduction* in UNE rates corresponds with approximately a 2.1% to 2.9% *increase* in ILEC investment. Thus, the study concludes that unbundling of ILEC networks promotes competition, and thereby stimulates investment in telecommunications infrastructure by incumbents and entrants alike.

Consistent with Commission rules, I am filing one electronic copy of this notice and request that you place it in the record of the above-referenced proceedings.

Sincerely,

A handwritten signature in black ink, appearing to be 'JM' followed by a horizontal line.

Joan Marsh

cc: Thomas Navin; Robert Tanner; Jeremy Miller